

ECONOMIC PULSE

A MONTHLY REPORT ON MARYLAND'S ECONOMY

HIGHLIGHTS

Job Growth Rate Remains Firm

Maryland's job growth rate held at 1 percent, for the second consecutive month, in March. Nationally, the economy displayed further improvement in job growth with a 0.5 percent increase.

Unemployment Rate Falls

Maryland's unemployment rate fell to 4.0 percent in March from 4.7 percent a year ago. Seasonally adjusted rates exhibited a similar decline.

Travel and Tourism Growing

Strong growth in employment in the leisure and hospitality sector continued in March, rising 4.4 percent from a year ago. Nationally, this sector rose by 1.3 percent.

Stock Market Remains Strong

The Maryland stock index increased by nearly 48 percent from March 2003 to March 2004; nationally, the stock index was up 33 percent.

Summary

Recent data from the Bureau of Labor Statistics indicate that the U.S. job market is showing increasing signs of life. The bureau's employment report for April indicated a net increase of 288,000 jobs from the previous month (seasonally adjusted), following a revised gain of 337,000 for March — up from a previously reported increase of 308,000. Job gains were broad-based across industries. Despite the recent improvements, the nation's labor market is still down 1.6 million from its pre-recession peak.

Maryland's employment numbers continued to grow at about 1 percent over the year, with approximately 26,000 net new jobs added. While the state's economy held up well during the past recession, this resilience may contribute to only moderate gains in jobs through the year — especially if spending by the federal government slows. As a result, Maryland's job growth ranking could slip as other regional economies gain momentum.

Unemployment Rate

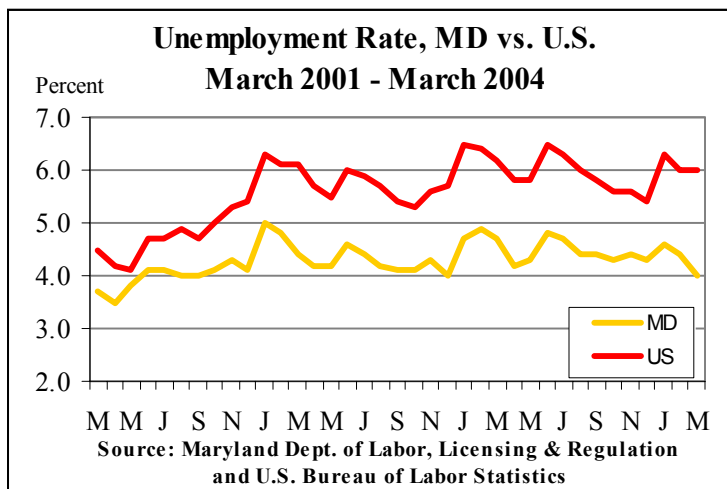
The state's unemployment rate was down sharply in March from a year ago — dropping to 4.0 percent from 4.7 percent. Maryland's seasonally adjusted unemployment rate was also significantly lower from a year ago, dropping to 4.0 percent in March. The state continues to display one of the lowest unemployment rates in the nation.

The U.S. unemployment rate eased, dropping to 6.0 percent over the course of the year. The seasonally adjusted U.S. unemployment rate was also down slightly from a year ago. The seasonally adjusted rate stood

Unemployment Rates (Percent)

	Not Seasonally Adjusted		Seasonally Adjusted	
	MD	U.S.	MD	U.S.
Mar 2004	4.0	6.0	4.0	5.7
Feb 2004	4.4	6.0	4.0	5.6
Mar 2003	4.7	6.2	4.7	5.8

Source: U.S. Bureau of Labor Statistics



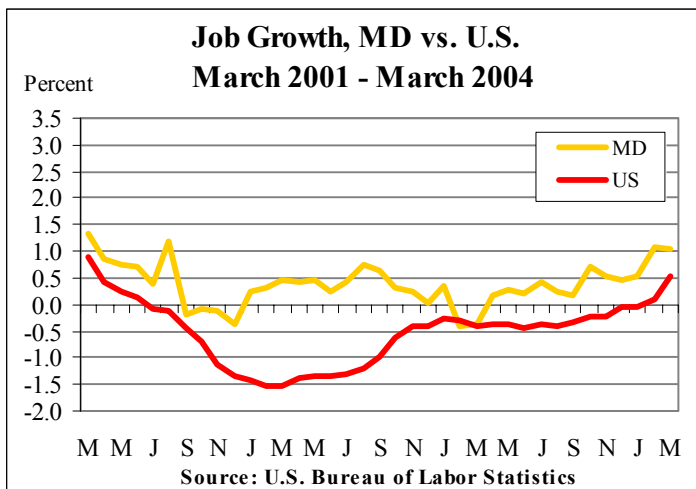
at 5.7 percent — roughly the same since December 2003. Some analysts indicate that the nation's unemployment rate could actually rise somewhat as an improving job market prompts more people to resume job hunting. If that is the case, the current unemployment rate may not accurately reflect the extent of the slack in the labor market.

Robert L. Ehrlich, Jr.
Governor
Michael S. Steele
Lt. Governor
Aris Melissaratos
Secretary

Jobs and Sectors

Jobs

The state added about 26,000 net new jobs — a growth rate of 1.1 percent — from March 2003 to March 2004. For the first quarter of this year, the state has gained roughly 22,000



jobs compared to the same period a year ago. Job growth remains broad-based, with construction, education and health services, and leisure and hospitality increasing by at least 2 percent over the year.

The U.S. job growth rate continues to improve, rising to 0.5 percent in March from 0.1 percent in February.

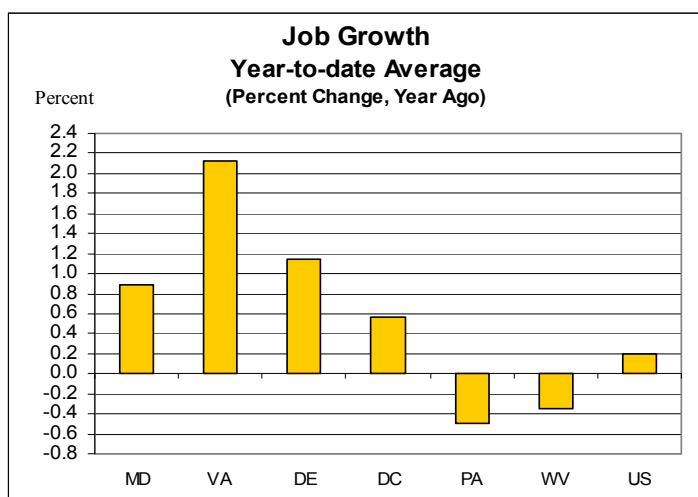
Maryland vs. U.S. Job Growth Rate (Percent Change, Year Ago)

Month	MD	U.S.
Mar-03	-0.4	-0.4
Apr-03	0.2	-0.4
May-03	0.3	-0.4
Jun-03	0.2	-0.4
Jul-03	0.4	-0.4
Aug-03	0.2	-0.4
Sep-03	0.2	-0.3
Oct-03	0.7	-0.2
Nov-03	0.5	-0.2
Dec-03	0.5	-0.1
Jan-04	0.5	0.0
Feb-04	1.1	0.1
Mar-04	1.1	0.5

Job Growth Ranking

The moderate job growth of 1.1 percent placed Maryland 19th in the nation in March. Through the first quarter of this year the state's job growth rate was 0.9 percent, resulting in a ranking of 21st.

Job growth rankings for the first quarter of the year for neighboring jurisdictions were: Virginia, 3rd (2.1%); Delaware, 14th (1.1%); the District of Columbia, 28th (0.6%); West Virginia, 45th (-0.4%); and Pennsylvania, 46th (-0.5%). In March, the slowest growing states following Pennsylvania included Connecticut, Colorado, Oklahoma, Massachusetts and Michigan.



Leisure and Hospitality

The state's leisure and hospitality industry continued to display strength in March, adding 9,000 net new jobs between March 2003 and March 2004—a 4.4 percent increase. The U.S. job growth rate for this sector was 1.3 percent.

Other tourism-related indicators were positive in March, as well. Hotel/motel occupancy rates were up by about three percentage points from the same period a year ago and visitor volume at state welcome centers increased nearly 7 percent. Travel-related tax receipts were also higher compared to a year ago, with amusement and admission tax revenues jumping 42 percent and hotel/motel tax receipts up 17.8 percent.

Health Services

Health care continues to be a source of strength. This sector (including social assistance) created 6,300 net new jobs during the past year. From March 2003 to March 2004, health care and social assistance grew at a rate of 2.3 percent in

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Jobs and Sectors (continued from page 2)

Maryland compared with a 1.8 percent rate of growth in the U.S.

Retail Sales

Retail trade added 4,400 net new jobs over the year — an increase of 1.5 percent. The sectors contributing to job growth included clothing stores, food and beverage stores, motor vehicle and parts dealerships, and miscellaneous retailers.

Home Sales and Building Permits

Existing home sales were up over 12 percent and new residential permits rose 8.4 in Maryland. Both increases, however, trailed developments in the U.S. Nationally, existing home sales climbed by 18.2 percent, while new residential permits jumped nearly 28 percent.

Other Industries

Other services were up 1 percent in Maryland between March 2003 and March 2004, while the U.S. shed 0.1 percent of its job base in this sector. Growth in the state's professional and business services industry — up 1.6 percent — continues to improve, but trails the gains exhibited nationally in this industry.

The decline in the information sector, which was down nearly 3 percent in March, remains stubbornly persistent. However, the rate at which jobs are being lost has slowed since its peak in 2002, with a year-over-year decline of roughly 3 percent since October 2003.

Employment in the government sector was nearly flat, showing a mere 0.1 percent gain over the year. An increase at the local government level served to offset losses in state and federal employment levels.

Manufacturing

Average weekly hours in Maryland's manufacturing industries rose 2 percent in March from a year ago and weekly earnings jumped by 10.3 percent. Nationally, the manufacturing workweek was up 1.2 percent, while earnings rose by less than 4 percent. Employment in the manufacturing sector continues to falter, with the state losing 3.3 percent of its job base. For the nation, the job loss rate was 2.6 percent. Other indicators, however—such as industrial production, new orders and capacity utilization—suggest that the manufacturing sector continues to improve.

Percent Change in Jobs March 2003 - March 2004

	MD	U.S.
Leisure and Hospitality	4.4	1.3
Education and Health Services	2.4	1.9
Health Care and Social Assistance	2.3	1.8
Financial Activities	1.4	0.6
Professional and Business Services	1.6	2.2
Construction, Mining, Natural Resources	2.0	2.9
Trade, Transportation and Utilities	0.5	0.4
Retail	1.5	0.7
Information	-2.8	-1.7
Manufacturing	-3.3	-2.6
Other Services	1.0	-0.1
Government	0.1	-0.2
Total	1.1	0.5

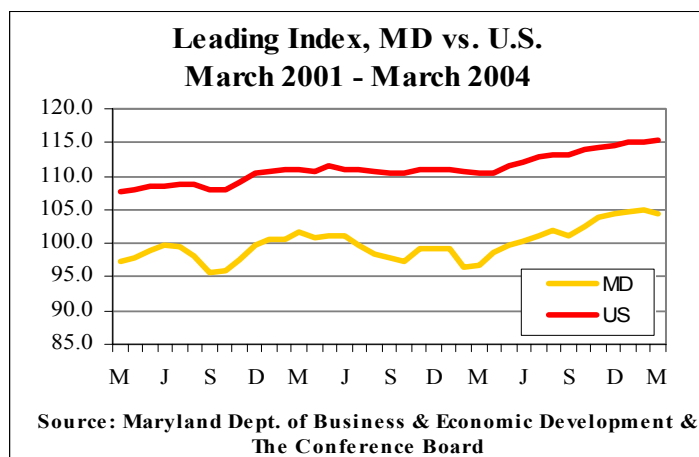
Other Economic Indicators

- Employment in Maryland rose 1.1 percent from March 2003 to March 2004, the 19th highest rate in the nation.
- Initial claims for UI fell 15 percent in Maryland and declined by 11 percent in the U.S. during the past year.
- Temporary cash assistance caseload decreased by 2.6 percent over the year.
- The state had a unemployment rate of 4.0 percent in March, compared to 6.0 percent for the U.S.
- The *Baltimore Sun's* help-wanted index fell 24 percent over the year.
- Existing home sales increased by 12 percent in Maryland and 18 percent nationally.
- Permits for new residential units rose 8.4 percent across the state, but were up nearly 28 percent in the U.S.
- The Maryland stock index climbed by nearly 48 percent, while the national index rose 33 percent during the past year.
- New auto registrations were up more than 20 percent in Maryland and 3.4 percent for the nation.
- Passenger volume at BWI airport increased by 15 per-

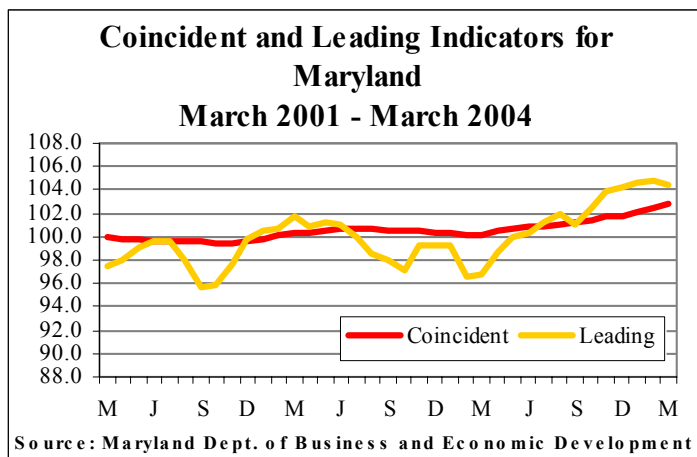
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Maryland Leading and Coincident Indices

The *Maryland index of leading indicators* provides an outlook for the economy over the next six to nine months. The revised index stood at 104.4 in March, edging lower from the previous month but up by nearly 8 percent from a year ago. The majority of the adjusted Maryland components contributed to a negative movement in the indicator. In contrast, two of the three national components contributed to a positive effect, including the leading index and the consumer confidence index. Despite the recent decline, the state indicator has risen in 10 of the past 12 months. In March the U.S. leading index was up 0.3 percent from the previous month and the indicator also rose by 4.4 percent from a year ago. The U.S. indicator has increased in 11 of the past 12 months. The overall upward trend in the state and national leading indicators continue to provide a positive signal of further growth in the months ahead.



The coincident index provides a reading on current economic conditions in Maryland and is used as a tool to help track the performance of the economy. The revised *coincident index* rose to 102.8 in March from 102.5 in February. This most recent reading includes updates to personal income. The increase in seasonally adjusted employment and the consumer confidence index contributed to the positive movement in the indicator, while the seasonally adjusted unemployment rate remained unchanged from the previous month. The state index was also up by 2.6 percent from a year ago, with the increase from a year ago exhibiting significant improvement since the last quarter of 2003. In March, the U.S. coincident indicator was up by 0.2 from the previous month and rose by 1.9 percent from the same period a year ago. The increase from a year ago has improved steadily since the second half of last year.



Labor Force

Maryland's employment (by place of residence) rose by 2.0 percent during the past year, outpacing the labor force growth of 1.3 percent. This resulted in a sizeable drop in the unemployment rate, which was down to 4.0 percent from 4.7 percent. Growth rates for the U.S. labor force were significantly smaller.

Initial unemployment insurance (UI) claims continued to fall, declining 15.2 percent from March 2003 to March 2004. UI claims fell about 11 percent in the U.S. *The Baltimore Sun's* help-wanted counts were down 24 percent from the same period a year ago. Temporary Cash Assistance (TCA) caseload decreased by 2.6 percent, while cases closed rose by more than 2 percent.

Labor Market Trends, March 2004 (Percent Change, March 2003 - March 2004)

	MD	U.S.
Growth of Civilian Labor Force	1.3	0.5
Employment by Place of Residence	2.0	0.7
Temporary Cash Assistance – Caseload	-2.6	–
Change in Initial UI Claims	-15.2	-10.9
Help-wanted Counts	-24.1	–
Unemployment Rate (current month, %)	4.0	6.0

FOCUS: Maryland's Personal Income in 2003

Revised data from the Bureau of Economic Analysis indicate that the growth in personal income for the nation picked up in 2003 — rising by 3.4 percent — after slowing in the previous two years. The growth rate, however, remains well below the pace set during the late 1990s through 2000. Only seven states and the District of Columbia registered a personal income growth rate that did not show improvement from the previous year.

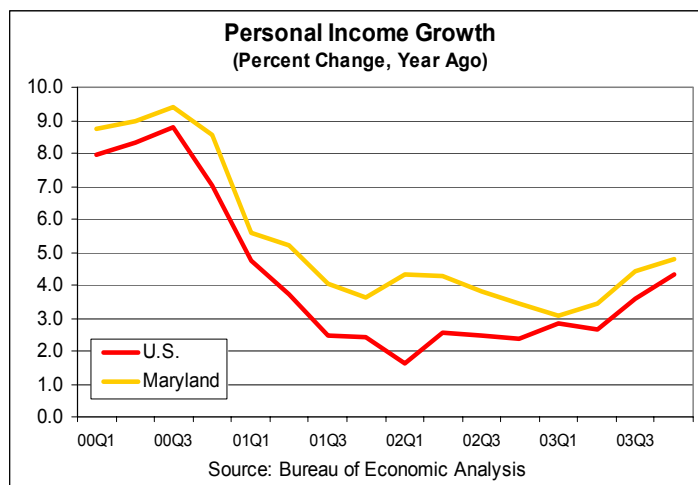
Maryland's personal income growth, while faster than the nation since 1999, edged lower from 4.0 percent in 2002 to 3.9 percent in 2003. The slightly slower growth rate dropped the state's ranking from 6th in 2002 to 17th in 2003. In 2003, the 10 states with the fastest rate of growth in personal income included: South Dakota (9.0 percent), North Dakota (8.7 percent), Wyoming (6.3 percent), Nebraska (6.1 percent), Nevada (5.8 percent), Montana (5.2 percent), Hawaii (4.9 percent), Mississippi (4.5 percent), Arizona (4.4 percent) and Florida (4.3 percent). Maryland's income growth, however, outpaced all of the neighboring states except Virginia (4.1 percent). Growth rates for the other neighboring jurisdictions were: Delaware (3.7 percent), Pennsylvania (3.1 percent), West Virginia (2.8 percent) and the District of Columbia (2.2 percent).

Based on quarterly data, the growth rates from the same period a year ago show that the state's level of personal income has been rising faster than nation's over the past few years, but growth in the U.S. level shows an up tick in growth prior to Maryland's. The nation's personal income was improving after the first quarter of 2002, while the state exhibited an improvement following the first quarter of 2003. By the last quarter of 2003, Maryland's personal income was growing at 4.8 percent, the fastest rate since the second quarter of 2001.

In 2003, Maryland's per capita personal income remained the 4th highest among the states at \$37,331 — exceeding the national figure of \$31,632 by about 18 percent. The state trailed Connecticut (\$43,173), New Jersey (\$40,427) and

Massachusetts (\$39,815). The state also fell behind the District of Columbia, which had a per capita income of \$48,342.

Maryland ranked 20th among the states in growth in per capita personal income with a 2.8 percent increase, which followed a 2.7 percent gain in 2002. Nationally, per capita income grew by 2.3 percent in 2003, up significantly from the 1.2 percent increase in the previous year. The top 10 states with the fastest growth in per capita income in 2003 included North Dakota (8.8 percent), South Dakota (8.4 percent), Wyoming (5.8 percent), Nebraska (5.4 percent), Montana (4.4 percent), Mississippi (4.0 percent), Kansas (3.6 percent), Hawaii (3.5 percent), Rhode Island (3.4 percent) and Iowa (3.4 percent). Regionally, Maryland outpaced most of the neighboring states in terms of per capita income growth, with only Pennsylvania having a slight edge at (2.8 percent). Other adjacent states' rates were: Virginia, 2.7 percent; West Virginia, 2.5 percent; and Delaware, 2.2 percent. The District of Columbia was up by 3.3 percent in 2003, but personal income grew by 2.2 percent and the population decreased by 1 percent.



Economic Indicators (continued from page 3)

cent while cargo volume rose 18 percent from the same period a year ago.

- Travel-related indicators were up in March. Visitors to state welcome centers increased by nearly 7 percent over the year and hotel occupancy rates were up three per-

centage points from the same period a year ago. Tax receipts from amusement/admissions and hotels were up by 42 percent and 18 percent, respectively.

Selected Monthly Economic Indicators

Selected Indicators	Maryland					U.S.				
	Mar 2004	Feb 2004	Percent Change From Last Month	Mar 2003	Percent Change From Last Year	Mar 2004	Feb 2004	Percent Change From Last Month	Mar 2003	Percent Change From Last Year
Labor Market										
Labor Force (U.S. in Thousands)	2,920,126	2,917,310	0.1	2,881,727	1.3	146,525	146,154	0.3	145,801	0.5
Employment (U.S. in Thousands)	2,802,396	2,788,854	0.5	2,747,484	2.0	137,691	137,384	0.2	136,783	0.7
Unemployment Rate	4.0	4.4	-9.1	4.7	-14.9	6.0	6.0	0.0	6.2	-3.2
Sun Help-Wanted Counts, Baltimore MSA	10,540	9,724	8.4	13,893	-24.1					
Initial Claims for Unemployment Insurance	17,958	17,645	1.8	21,186	-15.2	1,448,981	1,459,982	-0.8	1,626,898	-10.9
TCA Caseload	28,306	28,090	0.8	29,055	-2.6					
TCA Cases Closed	2,658	2,505	6.1	2,590	2.6					
Jobs and Sectors (Jobs in Thousands)										
Total Non-Agricultural Employment	2,478.6	2,452.8	1.1	2,452.7	1.1	129,820	128,786	0.8	129,148	0.5
Construction, Mining & Natural Resources	165.1	161.2	2.4	161.9	2.0	7,075	6,913	2.3	6,875	2.9
Manufacturing	144.6	144.1	0.3	149.5	-3.3	14,268	14,219	0.3	14,654	-2.6
Trade, Transportation, Utilities	455.7	452.8	0.6	453.3	0.5	25,090	24,955	0.5	24,994	0.4
Information	49.2	49.0	0.4	50.6	-2.8	3,160	3,156	0.1	3,214	-1.7
Financial Activities	156.4	156.4	0.0	154.3	1.4	7,955	7,939	0.2	7,910	0.6
Professional & Business Services	360.9	354.7	1.7	355.1	1.6	16,044	15,881	1.0	15,700	2.2
Education & Health Services	345.7	344.2	0.4	337.5	2.4	16,949	16,863	0.5	16,632	1.9
Leisure & Hospitality	212.8	207.0	2.8	203.8	4.4	11,927	11,699	1.9	11,769	1.3
Other Services	116.5	115.1	1.2	115.3	1.0	5,377	5,337	0.7	5,383	-0.1
Government	471.7	468.3	0.7	471.4	0.1	21,975	21,824	0.7	22,017	-0.2
Average Weekly Earnings (\$)	655.60	656.89	-0.2	594.27	10.3	653.21	652.39	0.1	629.49	3.8
Average Weekly Hours	40.0	40.3	-0.7	39.2	2.0	40.8	40.8	0.0	40.3	1.2
Business and Consumer Markets										
BWI Cargo (Metric Tons)	21,739	18,544	17.2	18,410	18.1					
BWI Passengers (Millions)	1.80	1.44	25.3	1.57	14.9					
Electric Meters Installed, Commercial	56	78	-28.2	170	-67.1					
Electric Meters Installed, Residential	1,068	842	26.8	1,216	-12.2					
Electricity Sales, Commercial (Millions of MWh)	1.50	1.27	18.6	1.56	-3.6					
Electricity Sales, Residential (Millions of MWh)	1.06	1.26	-16.1	1.12	-4.9					
Existing Home Sales (U.S. in Thousands)	7,458	5,618	32.8	6,644	12.3	525	372	41.1	444	18.2
New Auto Registration (U.S. seasonally adjusted)	39,340	27,780	41.6	32,705	20.3	1,433,944	1,392,152	3.0	1,386,155	3.4
New Residential Permits Authorized	2,312	1,712	35.0	2,132	8.4	183,559	131,204	39.9	143,525	27.9
Indexes										
Leading Index	104.4	104.9	-0.5	96.7	7.9	115.3	115	0.3	110.4	4.4
Help-Wanted Index	47.0	43.4	8.4	62.0	-24.1	39	40	-2.5	39	0.0
CPI	118.1	N/A	N/A	115.9	1.9	187.4	186.2	0.6	184.2	1.7
Stock Index	273.0	273.7	-0.2	184.7	47.8	1,126.2	1,144.9	-1.6	848.2	32.8
Tourism										
Hotel/ Motel Occupancy Rate (%)	62.4	54.8	13.9	59.2	5.4					
State Welcome Center Visitors	141,053	107,293	31.5	132,014	6.8					
Amusement & Admission Tax (Millions of Dollars)	7.15	2.49	187.7	5.05	41.7					
Hotel /Motel Sales Tax (Millions of Dollars)	3.07	2.70	13.7	2.60	17.8					

Notes:



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Economic Pulse is published monthly by Pradeep Ganguly,
Office of Research

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Graphic Design, James R. Moody, Roger Fujihara
Distribution, Elver Bell

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